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RUEHBY/AMEMBASSY CANBERRA 2721
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RUEHMD/AMEMBASSY MADRID 0831
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RUEHNE/AMEMBASSY NEW DELHI 8565
RUEHFR/AMEMBASSY PARIS 6237
RUEHUL/AMEMBASSY SEOUL 0780
RUEHWL/AMEMBASSY WELLINGTON 1043
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RUEHOT/AMEMBASSY OTTAWA 9713
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SIPDIS

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SUBJECT: GOJ LAUNCHES NEW SUPPORTS FOR FISHERMEN IN FACE OF
PRESSURES OVER RISING FUEL COSTS

¶1. SUMMARY: Responding to fishermen's anger over higher fuel costs, the GOJ plans to introduce a USD 696 million emergency fisheries subsidies package starting August 2008 utilizing funds from the current Fisheries Agency of Japan (FAJ) budget. A series of demonstrations and lobbying activities, culminating in a one-day strike July 15 by 200,000 fishermen nationwide to protest high fuel prices, put pressure on the ruling Liberal Democratic Party (LDP) and GOJ to decide to pursue emergency measures. The LDP politicians engaged in creating the package stress that the issue is not about the fisheries industry per se, but about Japan's national interests and food security. They are determined to continue the subsidies in the FY 2009 budget. END SUMMARY.

Compensate Fishermen Who Cut Energy Use

¶2. On July 28, the FAJ announced a new package allocating Yen 74.5 billion (USD 696 million) from its current budget to aid fishermen suffering from skyrocketing fuel prices. Prices of Bunker A fuel for fishing boats have tripled over the past five years in Japan, increasing 40 percent from December 2007 to July 2008. Some fishermen have stopped operating due to losses resulting from the higher fuel costs. Under the FAJ scheme, the GOJ will cover 90 percent of the rise in fuel prices that has occurred since December 2007 for groups of five or more fishermen who have taken steps to cut their fuel consumption by ten percent or more through the purchase or installation of new, more energy efficient technologies and equipment. Fishermen from anywhere in Japan and catching any species of fish will be entitled to apply for the relief program. The FAJ has allocated Yen 8 billion (USD 74 million) for the plan. The FAJ will also launch a new JPY 20 billion (USD 186 million) interest-free loan scheme to help fishermen finance purchases of new energy efficient equipment.

Japanese Fish Distribution and Auction System's Problem

¶3. Japan's complicated fish distribution and auction system prevents the country's fishermen from passing higher fuel costs on to consumers. The FAJ package could improve distribution by subsidizing sales directly from fishermen to fisheries cooperative associations. The associations can then immediately sell to retailers. The FAJ has put together Yen 40 billion (USD 372 million) for this direct purchase system. The package also provides help for those who stopped fishing or reduced the number of fishing

boats due to fuel price increases (Yen 6.5 billion = USD 60 million).

LDP Politicians Play Key Role

¶4. A series of demonstrations, culminating in a one-day strike July 15 by 200,000 fishermen to protest high fuel prices, and lobbying by fishermen across Japan put particular pressure on the GOJ to create the subsidies package. In the July 15 strike, over 3,000 fishermen rallied in Tokyo and adopted a resolution to request that the GOJ and LDP compensate fishermen for higher fuel costs, take full-fledged tax and other financial measures to sustain fishing operations, control speculative money in the international oil market, and provide stable fuel supplies. Representatives from the JF Zengyoren (the country-wide federation of Japan Fisheries Cooperatives) and the Japan Fisheries Association, which co-organized the rally, met with then METI Minister Amari, then Financial Minister Nukaga, then Minister for Agriculture, Forestry and Fisheries Wakabayashi, Chief Cabinet Secretary Machimura, and the LDP fisheries division politicians, to demand the GOJ and LDP meet their requests.

¶5. According to a series of articles on the fuel issue in the "Suisan Keizai Shimbun," a fisheries trade daily, LDP politicians who specialize in fisheries were the central force in creating the package. At a July 28 LDP Fisheries Group meeting, the LDP's Acting Policy Research Council Chairman Hiroyuki Sonoda stated that fishermen's plight required urgent action, according to the newspaper. The paper also quotes the LDP Research Commission on Fishery Policies Chairman Yasukazu Hamada as stressing the issue is

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not about the fisheries industry per se, but about Japan's food security. Hamada plans to include fisheries subsidies in the FY09 budget -- with the aim of reforming "the fisheries industry structure," according to the newspaper.

No More Handouts?

¶6. Minoru Arimura, a reporter at the daily who wrote the series, told ECON FSN that based on the LDP-FAJ common agenda to sustain the fisheries industry and improve Japan's self sufficiency in fisheries products (currently 56 percent), LDP politicians and FAJ officials met and discussed the package and that the ruling coalition finalized it on July 28. He recounted that in 2007, the FAJ ran a Yen 3.5 billion (USD 327) program to compensate fishermen for rising fuel prices. However, it did not impose conditions like energy saving, so it had ended up being just a handout to fishermen that did not encourage energy efficiency. The LDP and FAJ are determined to make sure the new package would lead to a more efficient fisheries industry, Arimura said.

¶7. COMMENT: While the higher energy prices hit industries across Japan, the GOJ package supporting fishermen clearly stands out. Industry insiders say that without the new policy, if the price of Bunker A fuel rose above Yen 130,000 (USD 1,214) per kiloliter, up from the current Yen 110,000 (USD 1,028) level, one third of Japanese fishermen would go bankrupt. However, while the new package may provide some immediate relief to fishermen, with high energy costs for the foreseeable future, fundamental changes are needed for Japan to have a sustainable and efficient fisheries industry. END COMMENT.

SCHIEFFER